



House of Representatives

General Assembly

File No. 54

February Session, 2004

House Bill No. 5204

House of Representatives, March 15, 2004

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING MINOR CHANGES TO THE INSURANCE STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 38a-41 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2004*):

4 (c) The commissioner may, at any time, for cause, suspend, revoke
5 or [reissue] refuse to renew any such license or in lieu of or in addition
6 to suspension or revocation of such license the commissioner, after
7 reasonable notice to and hearing of any holder of such license, may
8 impose a fine not to exceed ten thousand dollars. Such hearings may
9 be held by the commissioner or any person designated by the
10 commissioner. Whenever a person other than the commissioner acts as
11 the hearing officer, [he] the person shall submit to the commissioner a
12 memorandum of [his] the person's findings and recommendations
13 upon which the commissioner may base [his] a decision. The

14 commissioner may, if the commissioner deems it in the interest of the
15 public, publish in one or more newspapers of the state a statement
16 that, under the provisions of this section, the commissioner has
17 suspended or revoked the license of any insurance company or health
18 care center to do business in this state.

19 Sec. 2. Subsection (f) of section 38a-41 of the general statutes is
20 repealed and the following is substituted in lieu thereof (*Effective*
21 *October 1, 2004*):

22 (f) Any company aggrieved by the action of the commissioner in
23 revoking, suspending or refusing to [reissue] renew a license or in
24 imposing a fine may appeal therefrom, in accordance with the
25 provisions of section 4-183, except venue for such appeal shall be in the
26 judicial district of New Britain. Appeals under this section shall be
27 privileged in respect to the order of trial assignment.

28 Sec. 3. Subdivision (3) of subsection (b) of section 38a-129 of the
29 general statutes is repealed and the following is substituted in lieu
30 thereof (*Effective October 1, 2004*):

31 (3) "Control", "controlled by" and "under common control with"
32 have the meaning assigned to them by section 38a-1, as amended.
33 Control shall be presumed to exist if any person, directly or indirectly,
34 owns, controls, holds with the power to vote, or holds proxies
35 representing, ten per cent or more of the voting securities of any other
36 person. This presumption may be rebutted by a showing [pursuant to
37 subsection (j) of section 38a-135] that control does not exist in fact. The
38 commissioner may, after furnishing all persons in interest notice and
39 opportunity to be heard, determine that control exists in fact,
40 notwithstanding the absence of a presumption to that effect.

41 Sec. 4. Section 38a-458 of the general statutes is repealed and the
42 following is substituted in lieu thereof (*Effective October 1, 2004*):

43 (a) On and after June 16, 1989, any life insurance company doing
44 business in this state may issue life insurance policies or certificates, or

45 riders or endorsements thereto, which provide, within the terms and
46 conditions of the policy or certificate, long-term care benefits as
47 described in section 38a-501, provided such company is licensed for
48 both life and health insurance in this state. The Insurance
49 Commissioner may adopt regulations, in accordance with chapter 54,
50 to implement the provisions of this section. Prior to the effective date
51 of such regulations, any such policy, certificate, rider or endorsement
52 may be filed with the commissioner and may be approved at the
53 commissioner's discretion.

54 (b) Long-term care benefits provided pursuant to subsection (a) of
55 this section shall not be subject to the requirements of subsection (b) of
56 section 38a-501 or subsection (b) of section 38a-528.

57 (c) No insurance producer shall sell any such policy, certificate,
58 rider or endorsement unless the agent* is licensed to sell both life and
59 health insurance in this state.

60 (d) A life insurance policy with long-term care benefits issued
61 pursuant to this section may include a rider that provides long-term
62 care benefits that become payable upon exhaustion of benefits under
63 the life insurance policy. The elimination period limitations shall apply
64 only to the life insurance policy to which the rider is attached. Such
65 rider shall not contain an additional elimination period and may
66 calculate the waiver of premium from the time benefits are payable
67 under such rider.

68 Sec. 5. Subdivision (6) of section 38a-838 of the general statutes, as
69 amended by section 1 of public act 03-49, is repealed and the following
70 is substituted in lieu thereof (*Effective October 1, 2004*):

71 (6) "Insolvent insurer" means an insurer (A) licensed to transact
72 insurance in this state either at the time the policy was issued or when
73 the insured event occurred, and (B) determined to be insolvent by a
74 court of competent jurisdiction, provided the term "insolvent insurer"
75 shall (i) not be construed to mean any insurer with respect to which an
76 order, decree, judgment or finding of insolvency, whether permanent

77 or temporary in nature, or order of rehabilitation or conservation has
78 been issued by a court of competent jurisdiction prior to October 1,
79 1971, and (ii) include the legal successor of the insolvent insurer in the
80 event of the merger of the insolvent insurer.

81 Sec. 6. Subsection (f) of section 38a-493 of the general statutes, as
82 amended by section 1 of public act 03-78, is repealed and the following
83 is substituted in lieu thereof (*Effective July 1, 2004*):

84 (f) Home health care benefits may be subject to an annual deductible
85 of not more than fifty dollars for each person covered under a policy
86 and may be subject to a coinsurance provision which provides for
87 coverage of not less than seventy-five per cent of the reasonable
88 charges for such services. Such policy may also contain reasonable
89 limitations and exclusions applicable to home health care coverage. A
90 "high deductible health plan", as defined in Section 220(c)(2) or Section
91 223(c)(2) of the Internal Revenue Code of 1986, or any subsequent
92 corresponding internal revenue code of the United States, as from time
93 to time amended, used to establish a "medical savings account" or
94 "Archer MSA" pursuant to Section 220 of said Internal Revenue Code
95 [.] or a "health savings account" pursuant to Section 223 of said Internal
96 Revenue Code shall not be subject to the deductible limits set forth in
97 this subsection.

98 Sec. 7. Subsection (f) of section 38a-520 of the general statutes, as
99 amended by section 2 of public act 03-78, is repealed and the following
100 is substituted in lieu thereof (*Effective July 1, 2004*):

101 (f) Home health care benefits may be subject to an annual deductible
102 of not more than fifty dollars for each person covered under a policy
103 and may be subject to a coinsurance provision which provides for
104 coverage of not less than seventy-five per cent of the reasonable
105 charges for such services. Such policy may also contain reasonable
106 limitations and exclusions applicable to home health care coverage. A
107 "high deductible health plan", as defined in Section 220(c)(2) or Section
108 223(c)(2) of the Internal Revenue Code of 1986, or any subsequent
109 corresponding internal revenue code of the United States, as from time

110 to time amended, used to establish a "medical savings account" or
111 "Archer MSA" pursuant to Section 220 of said Internal Revenue Code
112 [.] or a "health savings account" pursuant to Section 223 of said Internal
113 Revenue Code shall not be subject to the deductible limits set forth in
114 this subsection.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>
Sec. 3	<i>October 1, 2004</i>
Sec. 4	<i>October 1, 2004</i>
Sec. 5	<i>October 1, 2004</i>
Sec. 6	<i>July 1, 2004</i>
Sec. 7	<i>July 1, 2004</i>

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Insurance Dept.	IF - None	None	None
Revenue Serv., Dept.	GF - Revenue Loss	Potential	Potential

Note: IF=Insurance Fund; GF=General Fund

Municipal Impact: None

Explanation

The bill extends the Connecticut Insurance Guaranty Association Act for property and casualty insurance to the legal successor of the insolvent insurer following a merger by including the successor in the definition of "insolvent insurer". In other words, if the legal successor of an insolvent insurer is unable to pay their claims, the guaranty association will cover the legal successor's claims also. The Connecticut Guaranty Association can cover claims in excess of \$100 and up to \$300,000, except for workers' compensation claims, for which there is no dollar limitation. It also refunds 50% of unearned premium, up to \$2,000 per policy.

The bill results in a net expansion of the coverage under the Connecticut Insurance Guaranty Association (CIGA). Since state law allows insurance companies to offset their liability to CIGA by lowering their state premiums tax assessments, the bill could result in a revenue loss to the state. The level of potential revenue loss cannot be determined at this time.

Under CGS 12-202, direct insurance premiums received by insurance companies are subject to a 1.75% tax with certain exceptions. CGS 38-841 allows insurance companies to offset 100% of their CIGA liability.

OLR Bill Analysis

HB 5204

AN ACT CONCERNING MINOR CHANGES TO THE INSURANCE STATUTES**SUMMARY:**

This bill exempts individual and group high-deductible health plans used to establish federally qualified health savings accounts (HSAs) from the \$50 deductible limit on home health care coverage. The exemption applies to plans delivered, issued for delivery, or renewed in this state on or after July 1, 2004 and that cover (1) basic hospital expenses, (2) basic medical-surgical expenses, (3) major medical expenses, (4) accident-only expenses, (5) limited benefit expenses, or (6) hospital or medical services.

The bill also extends the Connecticut Insurance Guaranty Association Act for property and casualty insurance to the legal successor of the insolvent insurer following a merger by including the successor in the definition of "insolvent insurer." Consequently, the guaranty association will cover claims on the legal successor if it becomes insolvent and is unable to pay them. It can cover claims in excess of \$100 and up to \$300,000, except for workers' compensation claims, for which there is no dollar limitation. It will also refund 50% of unearned premium, up to \$2,000 per policy.

In addition, the bill revises the definition of "control" under the Acquisition of Controlling Interest provisions, which authorize the insurance commissioner to supervise the activities of domestic insurance companies that are affiliated with holding companies. Control is presumed to exist if any person can vote 10% or more of another person's securities. This presumption can be rebutted. The bill eliminates the requirement that the rebuttal evidence include a disclaimer of affiliation that was filed with the department.

EFFECTIVE DATE: October 1, 2004, except for the sections concerning HSAs, which take effect July 1, 2004.

BACKGROUND

Health Savings Accounts

Health savings accounts ("HSAs") are tax-exempt personal savings accounts in which account holders can save money for future medical expenses. They are funded by employee contributions through pre-tax payroll deductions or employer contributions. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173), effective January 1, 2004, permits individuals under age 65 to contribute to an HSA if they are covered by a qualifying, high-deductible health insurance policy. For individual policies, a qualified health plan must have a minimum deductible of \$1,000 with a \$5,000 cap on out-of-pocket expenses (indexed annually). For family policies, the minimum deductible must be \$2,000 with a \$10,000 cap on out-of-pocket expenses (indexed annually). Preventive care services, as well as coverage for accidents, disability, dental care, vision care, and long-term care are not subject to the deductible. Employers of all sizes can offer HSAs to their employees.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 14 Nay 4